



## OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Mary Mosiman, CPA  
Auditor of State

### NEWS RELEASE

FOR RELEASE \_\_\_\_\_ July 29, 2015

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released a report on the Iowa Department of Public Health for the year ended June 30, 2014.

The Department exercises general supervision over public health programs, promotes health and sanitation, carries out specific responsibilities required by law and administers state and federal laws related to public health and vital records. The Department also exercises administrative authority over the medical, dental, pharmacy and nursing boards.

Mosiman recommended the Department improve controls over the segregation of duties, cash management and reporting over federal programs. The Department responded corrective action is being implemented.

A copy of the report is available for review in the Iowa Department of Public Health, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1560-5880-BR00.pdf>.

# # #

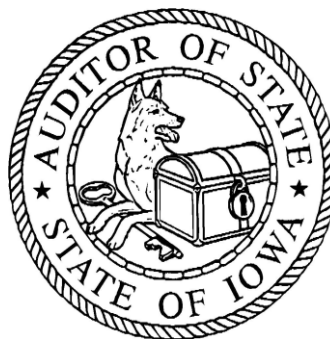


**REPORT OF RECOMMENDATIONS TO THE  
IOWA DEPARTMENT OF PUBLIC HEALTH**

**JUNE 30, 2014**

Office of  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**Mary Mosiman, CPA**  
**Auditor of State**





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Mary Mosiman, CPA  
Auditor of State

July 16, 2015

To Gerd Clabaugh, Director of the  
Iowa Department of Public Health:

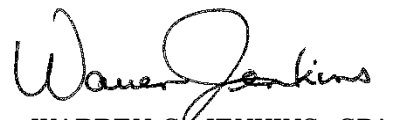
The Iowa Department of Public Health is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2014.

In conducting our audits, we became aware of certain aspects concerning the Department's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include those reported in the State's Single Audit Report, as well as other recommendations pertaining to the Department's internal control and compliance with statutory requirements and other matters. These recommendations have been discussed with Department personnel and their responses to these recommendations are included in this report. While we have expressed our conclusions on the Department's responses, we did not audit the Iowa Department of Public Health's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Public Health, citizens of the State of Iowa and other parties to whom the Iowa Department of Public Health may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Department during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Department are listed on page 12 and they are available to discuss these matters with you.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor  
David Roederer, Director, Department of Management  
Glen P. Dickinson, Director, Legislative Services Agency

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2014

**Findings Reported in the State's Single Audit Report:**

**CFDA Number: 10.557 – Special Supplemental Nutrition Program for Women, Infants,  
and Children (WIC)**

**Agency Number: 2013IW100343, 2014IW100343**

**Federal Award Year: 2013, 2014**

**State of Iowa Single Audit Report Comment: 14-III-USDA-588-2  
(2014-002)**

- (1) Vendor Monitoring – The Code of Federal Regulations, 7 CFR 246.12, requires the Department to conduct compliance investigations, which consist of inventory audits and/or compliance buys, on a minimum of 5% of the authorized WIC vendors. The Department is required to notify the vendor in writing when the investigation reveals an initial incidence of a vendor violation. For one of 26 vendors tested, the Department did not maintain documentation the vendor was notified in writing of its low inventory violation.

Recommendation – The Department should ensure documentation of written notifications to vendors is maintained.

Response and Corrective Action Planned – The Department will follow the regulations as stated in 7 CFR 246.12, which requires all vendors be notified in writing when an investigation reveals an incidence of a vendor violation. To ensure documentation of written notification to vendors is being maintained, it will be the responsibility of the person initiating the letter to immediately file this letter in the vendor files located within the Bureau of Nutrition and Health Promotion.

Documentation that the letter has been created and delivered to the vendor will be added to the comment column of the annual Vendor Monitoring Report Spreadsheet. The Vendor Monitoring Report Spreadsheet will be reviewed quarterly and confirmation of documentation being entered in the vendor's file will be conducted by a member of the WIC Vendor Section. WIC Vendor staff will then provide a report to the State WIC Director regarding the quarterly review results.

Conclusion – Response accepted.

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2014

**CFDA Number: 93.268 – Immunization Cooperative Agreements**  
**Agency Number: 5H23IP722542-02, 1H23IP000724-01**  
**Federal Award Year: 2013, 2014**

**CFDA Number: 93.505 – Affordable Care Act (ACA) Maternal, Infant and Early  
Childhood Home Visiting Program**  
**Agency Number: X02MC23104, D89MC23537, X02MC26319**  
**Federal Award Year: 2011, 2012, 2013**

**State of Iowa Single Audit Report Comment: 14-III-HHS-588-2  
(2014-007)**

- (2) Cash Management – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds. They also minimize the amount of state and other federal funds used to supplant programs until federal funds are received.

A review of the Department's records identified the following instances where cash balances were in excess of \$50,000:

- (a) Two instances of six to twenty-five business days for the Immunization program.
- (b) Two instances of twelve to twenty-five business days for the Maternal, Infant and Early Childhood Home Visiting program.

Recommendation – The Department should develop and implement procedures to ensure federal funds are drawn down in amounts sufficient to cover current needs and are disbursed in a timely manner without carrying excessive daily balances.

Response and Corrective Action Planned – The Department has modified the cash management procedures for drawing and disbursement of federal funds to ensure resources are sufficient to cover current needs.

Conclusion – Response accepted.

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2014

**CFDA Number: 93.268 – Immunization Cooperative Agreements**

**Agency Number: 5H23IP722542-21, 1H23IP000724-01**

**Federal Award Year: 2013, 2014**

**CFDA Number: 93.505 – Affordable Care Act (ACA) Maternal, Infant and Early Childhood  
Home Visiting Program**

**Agency Number: D89MC23537**

**Federal Award Year: 2012**

**State of Iowa Single Audit Report Comment: 14-III-HHS-588-3  
(2014-008)**

- (3) Federal Funding Accountability and Transparency Reports – The Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), requires prime awardees to submit reports regarding their first-tier subawards to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports are due for all applicable subrecipient grants by the end of the month subsequent to the month the grants were awarded.

The Department did not report subaward information timely as required by the Federal Funding Accountability and Transparency Act.

Recommendation – The Department should establish policies and procedures to ensure reports are submitted timely and in accordance with the Federal Funding Accountability and Transparency Act.

Response and Corrective Action Planned – The subaward reporting for first-tier subawards was not timely due to competing staff priorities. Beginning March 1, 2015 all first-tier subawards will be completed by the end of the month subsequent to the month the grants were awarded. Program staff has developed a process to ensure the reporting is completed by the required timeline.

Conclusion – Response accepted.



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**CFDA Number: 93.505 – Affordable Care Act (ACA) Maternal, Infant and Early Childhood  
Home Visiting Program**

**Agency Number: X02MC23104, D89MC23537, X02MC26319**

**Federal Award Year: 2011, 2012, 2013**

**State of Iowa Single Audit Report Comment: 14-III-HHS-588-4  
(2014-009)**

- (4) Payroll Distribution – OMB Circular A-87 states employees who work on multiple programs will distribute their time based on actual activity. Budget estimates or other distribution percentages determined before the services are performed do not qualify as support. One employee of the Department uses a predetermined percentage rather than actual hours worked to allocate payroll costs to the federal programs.

Recommendation – The Department should ensure employees record actual hours worked on each federal program rather than the predetermined percentage.

Response and Corrective Action Planned – All staff who split time between programs will be required to maintain a time study and report actual hours worked for each program.

Conclusion – Response accepted.

**CFDA Number: 93.505 – Affordable Care Act (ACA) Maternal, Infant and Early Childhood  
Home Visiting Program**

**Agency Number: D89MC23537**

**Federal Award Year: 2012**

**State of Iowa Single Audit Report Comment: 14-III-HHS-588-5  
(2014-010)**

- (5) Subrecipient Monitoring – OMB Circular A-133 requires the Department be responsible for monitoring the activities of its subrecipients, as necessary, to ensure federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the contract or grant.

Eligibility for participation in the home visiting program is determined through the use of certain home visiting service delivery models accepted by the U.S. Department of Health and Human Services. The home visiting service delivery model specified in the subrecipient's contract determines the model developer who will oversee the eligibility requirements.

The model developers perform annual reviews over the Department's subrecipients, which include eligibility determinations made by the subrecipients for adherence to the delivery models. The Department does not obtain these reviews and monitor for deficiencies.

Recommendation – The Department should establish procedures to obtain and evaluate reviews performed by the model developers and ensure deficiencies are resolved in a timely manner.

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June 30, 2014

Response and Corrective Action Planned – The Department will require all subrecipients to submit the results of the developers' annual review of the program as a required report in the contract. If deficiencies are noted, the subrecipient will develop a plan of corrective action and follow-up will be provided by the appropriate staff.

Conclusion – Response accepted.

**Findings Reported in the State's Report on Internal Control:**

No matters were noted.

**Other Findings Related to Internal Control:**

- (1) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One or two individuals may have control over the following areas for which no compensating controls exist:
  - (a) Board of Medicine – Responsibilities for deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts.
  - (b) Board of Nursing – An independent person reconciles deposits per the I/3 financial accounting software to supporting documentation. However, there is no documentation of the independent review of cash receipts.
  - (c) Dental Board – Responsibilities for deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts and correcting entries to the licensing database are not processed by an independent person.
  - (d) Board of Pharmacy – An initial listing of receipts is not prepared by the mail opener. One individual has the responsibility for deposit preparation, reconciliation and recording of cash receipts. In addition, one individual prepares expenditure claims and reconciles them to the warrant register.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Boards should review operating procedures to obtain the maximum internal control possible under the circumstances.

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2014

Responses –

- (a) Board of Medicine – The Board of Medicine implemented segregation of responsibilities for deposit preparation and reconciliation functions among staff in May 2014.
- (b) Board of Nursing – The Nursing Board implemented changes to its operating procedures. All cash receipts are verified, 1/3 is updated and 1<sup>st</sup> level approval applied by the Clerk Specialist. The Executive Officer then reviews the cash receipts, initials the cash receipt and applies 2<sup>nd</sup> level approval in 1/3.
- (c) Dental Board – Because the Executive Director position was vacant until December 16, 2014, the recommendation made by the auditor to provide segregation of duties associated with deposits of funds was not implemented in fiscal year 2014. The Dental Board is implementing a plan for this moving forward.
- (d) Board of Pharmacy – The Board has modified the processes for receipt of fee payments and deposits to provide for assignment of duties for receipt/recording of fees, reconciliation of daily processing worksheet with the fees, deposit preparation and approval to different staff members.

The Pharmacy Board also improved segregation of duties for warrant reconciliation and issuance to vendors by assigning this responsibility to a staff member who does to prepare the expenditure claims. The Board of Pharmacy will continue to explore possible ways to further segregate these duties.

Conclusion – Responses accepted.

- (2) Payroll Distribution – OMB Circular A-87 states employees who work on multiple programs will distribute their time based on actual activity. Budget estimates or other distribution percentages determined before the services are preformed do not qualify as support. The Department develops a budget documenting the percentage of time employees are expected to work on each federally funded program.

For one employee tested under the Block Grants for Prevention and Treatment of Substance Abuse program, recorded hours were based on the predetermined budget rate rather than the actual hours worked on the program.

Recommendation – The Department should ensure employees record actual hours worked on the federal program rather than the predetermined rate.

Response – The Department distributed the procedure for payroll reconciliation to management personnel on May 8, 2013 for discussion with employees. This procedure outlines their responsibilities to instruct their employees how to document the actual distribution of their time charged to individual financial accounts based on total actual employee activity. Division management personnel received the procedure for payroll reconciliation as distributed on May 8, 2013. Employees were instructed on documenting their actual worked time during the regularly scheduled Bureau of Substance Abuse meeting on May 13, 2013 and again on November 25, 2013. The

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Bureau Chief will review the Department's procedure for documentation of actual time with staff at the next bureau meeting.

Conclusion – Response accepted.

- (3) Vital Records – The Bureau of Health Statistics, Vital Records, records all vital events occurring in the state, such as births, deaths, and marriages. The Bureau registers events and also issues certified copies for vital events. Birth registry documents are received and reconciled in Vital Records and then forwarded to accounting staff for processing and deposit in batches. When the batch is deposited, accounting returns the supporting documentation to Vital Records and it is filed by the name of the hospital where the birth occurred. However, there is no documentation maintained to clearly link the amounts deposited to the supporting documentation. During testing of birth registry fees, we could not locate supporting documentation to test certain deposits.

In addition, there were other vital records transactions selected for testing for which supporting documentation could not be located.

Recommendation – The Department should review procedures to ensure the link between vital record registration fees collected and supporting documentation is clear. Supporting documentation should be retained for all vital record registration fees.

Response – Corrective action to provide a single reconciliation document was not implemented due to a change in the Bureau Chief position in late December 2014. A reconciliation document for deposit of birth registration fees received per hospital will be produced within the Iowa Vital Events System (IVES) electronic system upon the implementation of the birth component scheduled in July 2015.

Conclusion – Response accepted.

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**Findings Related to Statutory Requirements and Other Matters:**

- (1) Iowa Code Compliance – The Department was not in compliance with the following provisions of the Code of Iowa during the year ended June 30, 2014:
  - (a) Inspections – Chapter 156.10 of the Code of Iowa requires the Department to inspect all places where dead human bodies are prepared or held for burial, entombment or cremation. The Department has not performed the required inspections.
  - (b) Salon Inspections – Chapter 157.11 of the Code of Iowa requires the Department to perform biennial inspections of salons, defined as an establishment where one or more persons is engaged in the practice of cosmetology arts and sciences. The Department has not performed the required inspections.
  - (c) Barbershop Inspections – Chapter 158.9 of the Code of Iowa requires the Department to perform biennial inspections of barbershops, defined as an establishment where one or more persons is engaged in the practice of barbering. The Department has not performed the required inspections.

Recommendation – The Department should take the necessary steps to comply with the Code of Iowa or should seek repeal of the Code sections.

Response – Chapter 1106 of the 2014 Iowa Acts modified the language of the Code of Iowa from “shall” to “may” for the above-referenced code sections. The 2014 Iowa Acts are effective July 1, 2014.

Conclusion – Response accepted.

Report of Recommendations to the  
Iowa Department of Public Health

June 30, 2014

**Staff:**

Questions or requests for further assistance should be directed to:

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Lesley R. Geary, CPA, Senior Auditor II  
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

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